

**MORAVIA COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2005**

**Peak & Gerdes, LLP  
Certified Public Accountants  
1051 Office Park Road  
West Des Moines, IA 50265**

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Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
<u>Board of Education</u> (Before September, 2004 Election)		
Angela Stufflebeam	President	2005
Connie Brown	Vice-President	2004
Dale Brinegar	Board Member	2004
Lori Argo	Board Member	2006
Chad Martin	Board Member	2006

<u>Board of Education</u> (After September, 2004 Election)		
Chad Martin	President	2006
Lori Argo	Vice-President	2006
Dale Brinegar	Board Member	2007
Connie Brown	Board Member	2007
Angela Stufflebeam *	Board Member	2005
G.E. Luse **	Board Member	2005

<u>School Officials</u>		
Graham Quinn	Superintendent	2005
Stacy Moore	District Secretary/Treasurer/ Business Manager	2005
Rick Engel	Attorney	2005

\* - Resigned in September, 2004

\*\* - Appointed in October, 2004

**Moravia Community School District**

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IOWA 50265

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(515) 277-3077

Independent Auditor's Report

To the Board of Education of  
Moravia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District, Moravia Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2005 on our consideration of Moravia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Moravia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP  
Certified Public Accountants

September 16, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Moravia Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of district financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,757,956 in fiscal 2004 to \$2,766,571 in fiscal 2005, while General Fund expenditures increased from \$2,860,151 in fiscal 2004 to \$2,905,637 in fiscal 2005. The District's General Fund balance decreased from \$602,402 in fiscal 2004 to \$458,065 in fiscal 2005, a 24% decrease.
- The increase in expenditures was due primarily to an increase in negotiated salary and benefits, restricted grant expenditures and an increase in textbook purchases. The primary reason the General Fund balance decreased is because revenue due the District was not received in time to be included in fiscal 2005 income. These revenues included special education tuition from local school districts and Impact Aid Grants. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Moravia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements report Moravia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The governmental fund financial statements tell how government services were financed in the short term as well as what remains for future spending. The proprietary fund financial statements offer short-term and long-term financial information about activities the District operates like a business. In Moravia Community School District, the school nutrition program operations are the only enterprise reported as a proprietary fund.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

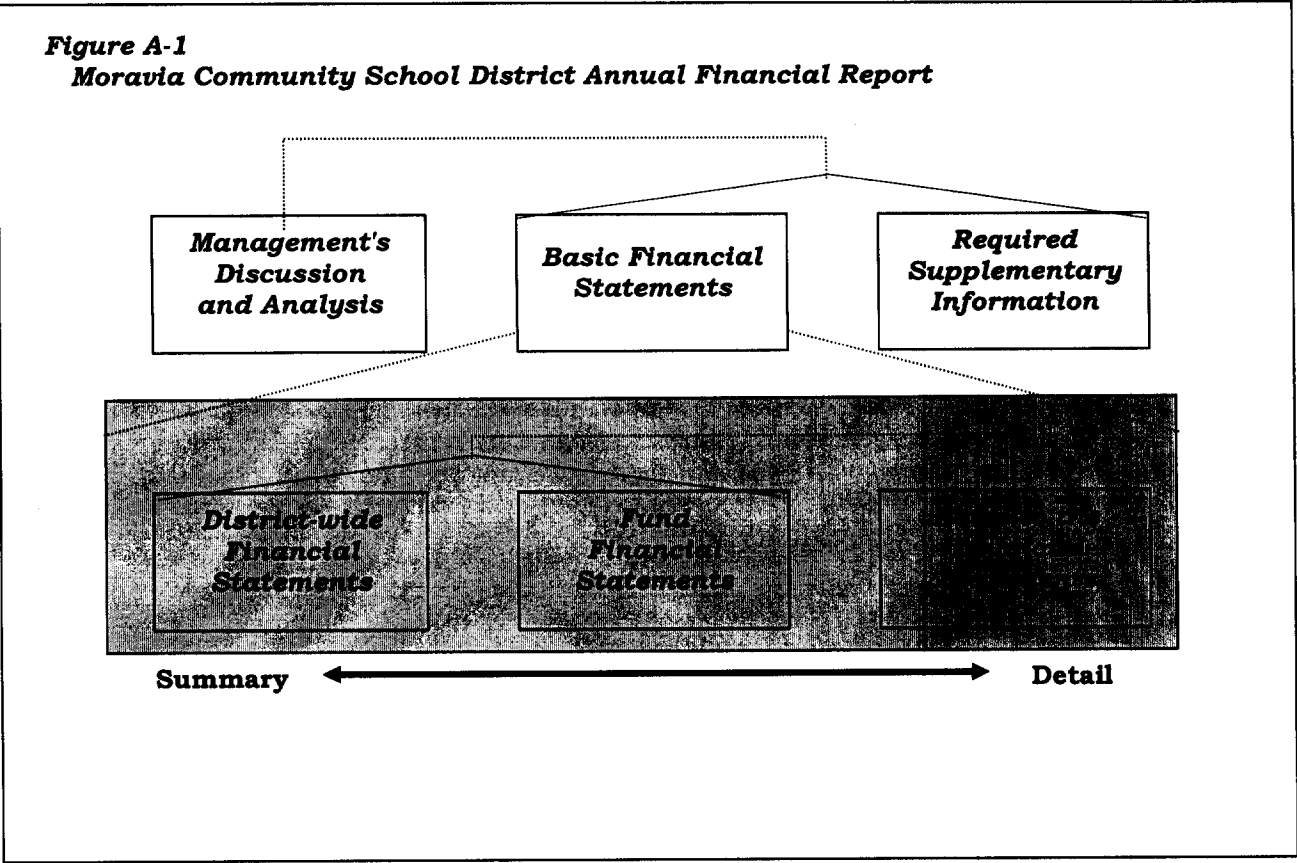


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or

decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

<b>Figure A-3</b> <b>Combined Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 1,717	1,819	6	19	1,723	1,838	-6.3%
Capital assets	1,391	1,453	21	16	1,412	1,469	-3.9%
Total assets	3,108	3,272	27	35	3,135	3,307	-5.2%
Long-term liabilities	695	725	-	-	695	725	-4.1%
Other liabilities	869	866	5	5	874	871	0.3%
Total liabilities	1,564	1,591	5	5	1,569	1,596	-1.7%
Net assets							
Invested in capital assets							
net of related debt	864	728	21	16	885	744	18.9%
Restricted	174	244	-	-	174	244	-28.7%
Unrestricted	506	709	1	14	507	723	-29.9%
Total net assets	\$ 1,544	1,681	22	30	1,566	1,711	-8.5%

The District's combined net assets decreased by nearly 8.5%, or approximately \$145,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$70,000, or 29% over the prior year. The decrease was primarily a result of spending more monies than received in the Management Levy Fund and in the Moravia Education Foundation Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$216,000, or 30%. This reduction in unrestricted net assets was the result of the District using carryover fund balances to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>						
	Governmental Activities		Business type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 516	376	70	66	586	442
Operating grants, contributions and restricted interest	446	563	77	71	523	634
General revenues:						
Property tax	980	903	-	-	980	903
Local option sales and services tax	135	-	-	-	135	-
Unrestricted state grants	1,147	1,160	-	-	1,147	1,160
Unrestricted investment earnings	12	5	-	-	12	5
Other	-	5	-	-	-	5
Total revenues	<u>3,236</u>	<u>3,012</u>	<u>147</u>	<u>137</u>	<u>3,383</u>	<u>3,149</u>
Program expenses:						
Governmental activities:						
Instruction	2,239	2,046	-	-	2,239	2,046
Support services	919	887	-	-	919	887
Non-instructional programs	-	-	154	131	154	131
Other expenses	215	174	-	-	215	174
Total expenses	<u>3,373</u>	<u>3,107</u>	<u>154</u>	<u>131</u>	<u>3,527</u>	<u>3,238</u>
Increase (decrease) in net assets	(137)	(95)	(7)	6	(144)	(89)
Net assets beginning of year	<u>1,681</u>	<u>1,776</u>	<u>29</u>	<u>23</u>	<u>1,710</u>	<u>1,799</u>
Net assets end of year	<u>\$ 1,544</u>	<u>1,681</u>	<u>22</u>	<u>29</u>	<u>1,566</u>	<u>1,710</u>

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$3,236,540 and expenses were \$3,373,238. In a difficult budget year, the District was able to balance the budget by deficit spending from the cash reserves.

The following table presents the total and net cost of the District's major governmental activities for fiscal 2005: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(Expressed in Thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 2,239	1,370
Support services	919	914
Non-instructional programs	-	-
Other expenses	215	127
Totals	<u>\$ 3,373</u>	<u>2,411</u>

- The cost financed by users of the District's programs was \$516,319.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$445,740.
- The net cost of governmental activities was financed with \$1,115,267 in property and other tax, including local option sales and services tax, and \$1,147,493 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$145,713 and expenses were \$153,653. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased revenue by including the sale of juice drinks. This increase in revenue was used to update equipment and fund the portion of janitorial services used in the lunch room.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Moravia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$751,380, well below last year's ending fund balances of \$864,332.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Governmental payments were not received, and personnel costs have increased. As a result, the District had to use carryover fund balance in order to meet the financial obligations during the year.
- The General Fund balance decreased from \$602,402 to \$458,065, due in part to the negotiated salary and benefits settlement for classified and certified staff, the failure to receive Special Education income and Impact aid income in the current fiscal year, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a deficit of (\$3,635) in fiscal 2004 to (\$17,739) in fiscal 2005. While revenues remained approximately the same, the District increased spending from the PPEL to decrease the financial condition of the fund.
- The District passed the SILO Tax in fiscal 2004 and started receiving revenue in fiscal 2005. Revenue for the year was \$135,059 with expenditures of \$16,432. The School Board voted to apply \$65,000 for property tax relief by lowering the future Debt service levy by an equivalent amount.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$29,846 at June 30, 2004 to \$22,012 at June 30, 2005, representing an decrease of approximately 26% due primarily to the District replacing obsolete kitchen equipment and funding a portion of janitorial services used in the lunch room.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Moravia Community School District did not amend its annual budget.

The District's revenues were \$29,596 more than budgeted revenues, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practices, the certified budget was exceeded in the other expenditures functional area.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$1.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.9% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$81,244.

The original cost of the District's capital assets was \$3.0 million. Governmental funds account for \$2.9 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the District did not purchase or dispose of any major assets.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 1	1	-	-	1	1	0.0%
Buildings	1,264	1,315	-	-	1,264	1,315	-3.9%
Improvements other than buildings	12	13	-	-	12	13	-7.7%
Furniture and equipment	113	124	21	16	134	140	-4.3%
Totals	<u>\$ 1,390</u>	<u>1,453</u>	<u>21</u>	<u>16</u>	<u>1,411</u>	<u>1,469</u>	<u>-3.9%</u>

### Long-Term Debt

At June 30, 2005, the District had \$695,000 in general obligation bonds and early retirement obligations. This represents a decrease of approximately 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General obligation bonds	\$ 645	720	-10.4%
Vehicle loan	-	5	-100.0%
Early retirement	50	-	100.0%
Totals	\$ 695	725	-4.1%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for two of the past three years, the District expects a slight increase in enrollment due to a new housing development in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined that no busses need replaced during 2006, but repairs on gym pylons must be made for an estimated cost of \$125,000. To pay for this, the District will use resources from the Local Option Sales Tax Fund.
- Fiscal 2005 was the first year of a two-year contract with the Moravia Education Teacher Association. The District will negotiate a new agreement during fiscal 2007. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacy Moore, District Secretary/Treasurer and Business Manager, Moravia Community School District, 505 N. Trussell, Moravia, Iowa, 52571.

### **Basic Financial Statements**

## Moravia Community School District

Exhibit A

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 412,038	2,361	414,399
Investments	128,242	-	128,242
Receivables:			
Property tax:			
Delinquent	13,858	-	13,858
Succeeding year	843,564	-	843,564
Accounts	5,340	-	5,340
Due from other funds	5,000	-	5,000
Due from other governments	305,532	-	305,532
Prepaid expenses	3,637	-	3,637
Inventories	-	3,571	3,571
Capital assets, net of accumulated depreciation	1,390,561	21,175	1,411,736
<b>Total assets</b>	<b>3,107,772</b>	<b>27,107</b>	<b>3,134,879</b>
<b>Liabilities</b>			
Accounts payable	-	95	95
Salaries and benefits payable	12,407	-	12,407
Due to other governments	10,927	-	10,927
Due to other funds	-	5,000	5,000
Accrued interest payable	1,670	-	1,670
Deferred revenue - succeeding year property tax	843,564	-	843,564
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	75,000	-	75,000
Early retirement payable	40,000	-	40,000
Portion due after one year:			
General obligation bonds payable	570,000	-	570,000
Early retirement payable	10,000	-	10,000
<b>Total liabilities</b>	<b>1,563,568</b>	<b>5,095</b>	<b>1,568,663</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	864,188	21,175	885,363
Restricted for:			
Talented and gifted	11,880	-	11,880
Management levy	7,641	-	7,641
Physical plant and equipment levy	(17,739)	-	(17,739)
Other special revenue purposes	172,219	-	172,219
Unrestricted	506,015	837	506,852
<b>Total net assets</b>	<b>\$ 1,544,204</b>	<b>22,012</b>	<b>1,566,216</b>

See notes to financial statements.

Moravia Community School District

Statement of Activities

Year ended June 30, 2005

Functions / Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 1,469,091	249,831	234,130	-
Special instruction	401,792	120,230	109,653	-
Other instruction	368,135	146,258	9,422	-
	<u>2,239,018</u>	<u>516,319</u>	<u>353,205</u>	<u>-</u>
<b>Support services:</b>				
Student services	80,185	-	-	-
Instructional staff services	40,678	-	-	-
Administration services	430,681	-	-	-
Operation and maintenance of plant services	218,467	-	4,774	-
Transportation services	148,887	-	-	-
	<u>918,898</u>	<u>-</u>	<u>4,774</u>	<u>-</u>
<b>Non-instructional programs</b>	<u>495</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	53,081	-	-	-
Long-term debt interest	22,178	-	-	-
AEA flowthrough	87,761	-	87,761	-
Depreciation (unallocated)*	51,807	-	-	-
	<u>214,827</u>	<u>-</u>	<u>87,761</u>	<u>-</u>
<b>Total governmental activities</b>	<u>3,373,238</u>	<u>516,319</u>	<u>445,740</u>	<u>-</u>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	153,653	69,393	76,320	-
<b>Total</b>	<u>\$ 3,526,891</u>	<u>585,712</u>	<u>522,060</u>	<u>-</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
<b>Total general revenues</b>				
<b>Change in net assets</b>				
<b>Net assets beginning of year</b>				
<b>Net assets end of year</b>				

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(985,130)	-	(985,130)
(171,909)	-	(171,909)
(212,455)	-	(212,455)
(1,369,494)	-	(1,369,494)
(80,185)	-	(80,185)
(40,678)	-	(40,678)
(430,681)	-	(430,681)
(213,693)	-	(213,693)
(148,887)	-	(148,887)
(914,124)	-	(914,124)
(495)	-	(495)
(53,081)	-	(53,081)
(22,178)	-	(22,178)
-	-	-
(51,807)	-	(51,807)
(127,066)	-	(127,066)
(2,411,179)	-	(2,411,179)
-	(7,940)	(7,940)
(2,411,179)	(7,940)	(2,419,119)
\$ 759,262	-	759,262
92,031	-	92,031
25,814	-	25,814
103,101	-	103,101
135,059	-	135,059
1,147,493	-	1,147,493
11,721	106	11,827
2,274,481	106	2,274,587
(136,698)	(7,834)	(144,532)
1,680,902	29,846	1,710,748
\$ 1,544,204	22,012	1,566,216

## Moravia Community School District

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2005

	General	Special Revenue Moravia Education Foundation	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
Other	\$ 250,285	4,122	157,631	412,038
Investments	-	128,242	-	128,242
Receivables:				
Property tax:				
Delinquent	11,119	-	2,739	13,858
Succeeding year	729,646	-	113,918	843,564
Accounts	-	-	5,340	5,340
Due from other funds	34,783	-	-	34,783
Due from other governments	276,584	-	28,948	305,532
Prepaid expenses	3,637	-	-	3,637
<b>Total assets</b>	<b>\$ 1,306,054</b>	<b>132,364</b>	<b>308,576</b>	<b>1,746,994</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries and benefits payable	\$ 12,407	-	-	12,407
Due to other governments	7,003	-	3,924	10,927
Due to other funds	-	-	29,783	29,783
Deferred revenue:				
Succeeding year property tax	729,646	-	113,918	843,564
Other	98,933	-	-	98,933
Total liabilities	847,989	-	147,625	995,614
Fund balances:				
Reserved for talented and gifted	11,880	-	-	11,880
Reserved for debt service	-	-	12,567	12,567
Reserved - donor specified	-	125,043	-	125,043
Unreserved	446,185	7,321	148,384	601,890
Total fund balances	458,065	132,364	160,951	751,380
<b>Total liabilities and fund balances</b>	<b>\$ 1,306,054</b>	<b>132,364</b>	<b>308,576</b>	<b>1,746,994</b>

See notes to financial statements.

Moravia Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

<b>Total fund balances of governmental funds (page 21)</b>	<b>\$ 751,380</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,390,561
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	98,933
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,670)
Long-term liabilities, including general obligation bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(695,000)</u>
<b>Net assets of governmental activities (page 18)</b>	<b><u>\$ 1,544,204</u></b>

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2005

	General	Special Revenue Moravia Education Foundation	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 802,238	-	177,970	980,208
Tuition	268,743	-	-	268,743
Other	41,254	2,348	281,317	324,919
Intermediate sources	61,103	-	-	61,103
State sources	1,438,737	-	-	1,438,737
Federal sources	154,496	-	-	154,496
Total revenues	2,766,571	2,348	459,287	3,228,206
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	1,373,839	42,117	20,685	1,436,641
Special instruction	400,093	-	1,699	401,792
Other instruction	171,210	-	176,342	347,552
	1,945,142	42,117	198,726	2,185,985
Support services:				
Student services	79,669	-	516	80,185
Instructional staff services	40,444	-	234	40,678
Administration services	407,592	-	23,089	430,681
Operation and maintenance of plant services	209,539	-	8,034	217,573
Transportation services	135,490	-	6,723	142,213
	872,734	-	38,596	911,330
Non-instructional programs	-	-	495	495
Other expenditures:				
Facilities acquisition	-	-	53,081	53,081
Long-term debt:				
Principal	-	-	79,947	79,947
Interest and fiscal charges	-	-	22,559	22,559
AEA flowthrough	87,761	-	-	87,761
	87,761	-	155,587	243,348
Total expenditures	2,905,637	42,117	393,404	3,341,158
Excess (deficiency) of revenues over (under) expenditures	(139,066)	(39,769)	65,883	(112,952)
Other financing sources (uses):				
Operating transfers in	-	-	5,271	5,271
Operating transfers out	(5,271)	-	-	(5,271)
Total other financing sources (uses)	(5,271)	-	5,271	-
Net change in fund balances	(144,337)	(39,769)	71,154	(112,952)
Fund balances beginning of year	602,402	172,133	89,797	864,332
Fund balances end of year	\$ 458,065	132,364	160,951	751,380

See notes to financial statements.

Moravia Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (page 23)

\$ (112,952)

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures was less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 15,944	
Depreciation expense	<u>(78,352)</u>	(62,408)

Certain due from other government amounts not received until several months after year end are not considered available revenue and are deferred in the governmental funds.

8,334

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues were less than repayments, as follows:

Issued	-	
Repaid	<u>79,947</u>	79,947

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(50,000)</u>
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Change in net assets of governmental activities (page 20)

\$ (136,698)

See notes to financial statements.

Moravia Community School District

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2005

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,361
Inventories	3,571
Capital assets, net of accumulated depreciation	<u>21,175</u>
<b>Total assets</b>	<u>27,107</u>
<b>Liabilities</b>	
Accounts payable	95
Interfund payable	<u>5,000</u>
<b>Total liabilities</b>	<u>5,095</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	21,175
Unrestricted	<u>837</u>
<b>Total net assets</b>	<u>\$ 22,012</u>

See notes to financial statements.

Moravia Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 69,393</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	56,924
Benefits	13,977
Purchased services	2,119
Supplies	77,266
Property	475
Depreciation	<u>2,892</u>
Total operating expenses	<u>153,653</u>
Operating loss	<u>(84,260)</u>
Non-operating revenues:	
State sources	2,306
Federal sources	74,014
Interest income	<u>106</u>
Total non-operating revenues	<u>76,426</u>
Change in net assets	(7,834)
Net assets beginning of year	<u>29,846</u>
Net assets end of year	<u><u>\$ 22,012</u></u>

See notes to financial statements.

Moravia Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	\$ 69,393
Cash received from sale of lunches and breakfasts	(70,901)
Cash payments to employees for services	(71,792)
Cash payments to suppliers for goods and services	(73,300)
Net cash used by operating activities	
Cash flows from non-capital financing activities:	
State grants received	2,306
Federal grants received	65,968
Net cash provided by non-capital financing activities	68,274
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,929)
Cash flows from investing activities:	
Interest income	106
Net (decrease) in cash and cash equivalents	(12,849)
Cash and cash equivalents at beginning of year	15,210
Cash and cash equivalents at end of year	<u>\$ 2,361</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(84,260)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	8,046
Depreciation	2,892
Decrease in inventories	21
Increase in accounts payable	1
Net cash used by operating activities	<u>\$ (73,300)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2005, the District received federal commodities valued at \$8,046.	

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

Moravia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Moravia, Iowa, and the predominate agricultural territory of Appanoose, Davis and Monroe Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Moravia Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Moravia Community School District has one component unit which meet the Governmental Accounting Standards Board criteria.

**Blended Component Unit** – The Moravia Education Foundation (Foundation) is included in the financial statements of the Moravia Community School District because its relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The members and Board of Directors of the Foundation consist of the members of the District's Board of Education. In addition, the purpose of the Foundation is to support the activities of the Moravia Community School District.

**Jointly Governed Organizations** – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose, Davis and Monroe County Assessor's Conference Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue – Moravia Education Foundation Fund is utilized to provide advancement, enhancement, or support to education in the Moravia Community School District.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### **C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting journal entries to the cash basis financial records.

#### D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture and equipment, are reported in applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

**Salaries and Benefits Payable** – Payroll and related expenditures for employees who worked in June but were not paid until July, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenses in the other expenditures functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the deposits to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 596,383

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The Foundation invests in a checking account and stock. At June 30, 2005, the carrying amount of the stock was \$41,403, and the fair value was \$128,242. The stock is reported at fair value, as determined by the investment company handling the account. The Foundation's investments are all category 1, which means that the investments are held by the Foundation in the Foundation's name. The balance of the Foundation's funds are reported at the carrying amount which reasonably estimates fair value.

**(3) Due From and Due to Other Funds**

The details of interfund receivables and payables at June 30, 2005 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Physical Plant and	
	Equipment Levy	\$ 27,000
	Student Activity	2,783
	Enterprise:	
	School Nutrition	<u>5,000</u>
		<u>\$ 34,783</u>

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	<u>\$ 5,271</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 1,000	-	-	1,000
Total capital assets not being depreciated	1,000	-	-	1,000
Capital assets being depreciated:				
Buildings	2,523,605	-	-	2,523,605
Improvements other than buildings	26,690	-	-	26,690
Furniture and equipment	341,823	15,944	-	357,767
Total capital assets being depreciated	2,892,118	15,944	-	2,908,062
Less accumulated depreciation for:				
Buildings	1,208,875	50,472	-	1,259,347
Improvements other than buildings	13,345	1,334	-	14,679
Furniture and equipment	217,929	26,546	-	244,475
Total accumulated depreciation	1,440,149	78,352	-	1,518,501
Total capital assets being depreciated, net	1,451,969	(62,408)	-	1,389,561
Governmental activities capital assets, net	\$ 1,452,969	(62,408)	-	1,390,561

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 93,911	7,929	-	101,840
Less accumulated depreciation	77,773	2,892	-	80,665
Business type activities capital assets, net	\$ 16,138	5,037	-	21,175

Depreciation expense was charged to the following functions:

<b>Government activities:</b>	
Instruction:	
Regular	\$ 2,450
Other	583
Support services:	
Operation and maintenance of plant	894
Transportation	22,618
	26,545
Unallocated	51,807
Total depreciation expense - governmental activities	\$ 78,352
<b>Business type activities:</b>	
Food service operations	\$ 2,892

(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 720,000	-	75,000	645,000	75,000
Vehicle loan	4,947	-	4,947	-	-
Early retirement	-	80,000	30,000	50,000	40,000
Total	\$ 724,947	80,000	109,947	695,000	115,000

**General Obligation Bonds Payable**

Details of the District's June 30, 2005 general obligation bonded indebtedness is as follows:

Bond Issue of March 1, 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	2.40%	\$ 75,000	20,035	95,035
2007	2.40%	80,000	18,235	98,235
2008	2.75%	85,000	16,315	101,315
2009	3.05%	85,000	13,977	98,977
2010	3.30%	85,000	11,385	96,385
2011	3.45%	90,000	8,580	98,580
2012	3.70%	90,000	5,475	95,475
2013	3.90%	55,000	2,145	57,145
Total		\$ 645,000	96,147	741,147

**Vehicle Loan**

The District borrowed \$19,006 to finance the purchase of a vehicle. Payments were due annually, with an interest rate of 6.00%. This loan was paid off during the fiscal year.

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to \$700 per year of service up to a maximum of \$20,000. The early retirement incentive is payable in two payments, on July 15<sup>th</sup> of the year of retirement and July 15<sup>th</sup> of the year following retirement. Early retirement incentive benefits paid during the year ended June 30, 2005 totaled \$30,000. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) **Operating Lease**

The District has entered into an operating lease for various electronic equipment. Payments under these leases totaled \$9,956 during the fiscal year. Future minimum lease payments in relation to these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 8,078
2007	8,775
2008	4,500
2009	4,500
2010	4,500
Total	<u>\$ 30,353</u>

(8) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$104,655, \$97,867, and \$96,174, respectively, equal to the required contributions for each year.

(9) **Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$8,869 which is recorded as a liability as of June 30, 2005.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$87,761 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenses may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, expenses in the other expenditures functional area exceeded the amounts budgeted.

**(12) Deficit Fund Balances**

The Physical Plant and Equipment Levy Fund had a deficit balance of \$17,739 at June 30, 2005.

**(13) Moravia Education Foundation**

The Moravia Education Foundation is a 501 (c) 3 organization reported as a Special Revenue Fund in the financial statements. The purpose of the Foundation is to provide advancement, enhancement, or support to education in the Moravia School District. The bylaws state that 90% of the realized income will be used to support grants, and 10% will be reinvested in the fund, along with the original principal amount. At June 30, 2005, the District determined that \$125,043 of the total amount in this fund must remain in perpetuity to fund the activities of the foundation. This amount is reported as a reserved fund balance on the balance sheet.

**(14) Subsequent Events**

During fiscal year 2006, the District entered into agreements with contractors for structural repairs and roof repair for the school. The total cost of these projects is expected to be approximately \$172,000, and should be completed in fiscal year 2006.

**Required Supplementary Information**

Moravia Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Revenues:					
Local sources	\$ 1,573,870	69,499	1,643,369	1,432,492	210,877
Intermediate sources	61,103	-	61,103	-	61,103
State sources	1,438,737	2,306	1,441,043	1,570,937	(129,894)
Federal sources	154,496	74,014	228,510	341,000	(112,490)
Total revenues	3,228,206	145,819	3,374,025	3,344,429	29,596
Expenditures/Expenses:					
Instruction	2,185,985	-	2,185,985	2,278,387	92,402
Support services	911,330	-	911,330	943,756	32,426
Non-instructional programs	495	153,653	154,148	195,000	40,852
Other expenditures	243,348	-	243,348	192,238	(51,110)
Total expenditures/expenses	3,341,158	153,653	3,494,811	3,609,381	114,570
Excess (deficiency) of revenues over (under) expenditures/expenses	(112,952)	(7,834)	(120,786)	(264,952)	144,166
Balances beginning of year	864,332	29,846	894,178	768,767	125,411
Balances end of year	\$ 751,380	22,012	773,392	503,815	269,577

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amounts budgeted.

## Other Supplementary Information

## Moravia Community School District

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue					
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Assets</b>						
Cash and pooled investments	\$ 7,685	40,222	8,942	89,679	11,103	157,631
Receivables:						
Property tax:						
Delinquent	956	-	319	-	1,464	2,739
Succeeding year	76,000	-	20,383	-	17,535	113,918
Accounts	2,924	2,416	-	-	-	5,340
Due from other governments	-	-	-	28,948	-	28,948
<b>Total assets</b>	<b>\$ 87,565</b>	<b>42,638</b>	<b>29,644</b>	<b>118,627</b>	<b>30,102</b>	<b>308,576</b>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Due to other governments	\$ 3,924	-	-	-	-	3,924
Interfund payable	-	2,783	27,000	-	-	29,783
Deferred revenue:						
Succeeding year property tax	76,000	-	20,383	-	17,535	113,918
Total liabilities	79,924	2,783	47,383	-	17,535	147,625
Fund equity:						
Reserved for debt service	-	-	-	-	12,567	12,567
Unreserved	7,641	39,855	(17,739)	118,627	-	148,384
Total fund equity	7,641	39,855	(17,739)	118,627	12,567	160,951
<b>Total liabilities and fund equity</b>	<b>\$ 87,565</b>	<b>42,638</b>	<b>29,644</b>	<b>118,627</b>	<b>30,102</b>	<b>308,576</b>

See accompanying independent auditor's report.

## Moravia Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ 60,125	-	25,814	-	92,031	177,970
Other	-	146,258	-	135,059	-	281,317
Total revenues	60,125	146,258	25,814	135,059	92,031	459,287
Expenditures:						
Current:						
Instruction:						
Regular instruction	20,685	-	-	-	-	20,685
Special instruction	1,699	-	-	-	-	1,699
Other instruction	27,305	149,037	-	-	-	176,342
Support services:						
Student services	516	-	-	-	-	516
Instructional staff services	234	-	-	-	-	234
Administration services	23,089	-	-	-	-	23,089
Operation and maintenance of plant services	4,765	-	3,269	-	-	8,034
Transportation services	6,723	-	-	-	-	6,723
Non-instructional programs:						
Food service operations	495	-	-	-	-	495
Other expenditures:						
Facilities acquisition	-	-	36,649	16,432	-	53,081
Long-term debt:						
Principal	-	-	-	-	79,947	79,947
Interest and fiscal charges	-	-	-	-	22,559	22,559
Total expenditures	85,511	149,037	39,918	16,432	102,506	393,404
Excess (deficiency) of revenues over (under) expenditures	(25,386)	(2,779)	(14,104)	118,627	(10,475)	65,883
Other financing sources (uses):						
Operating transfers in	-	-	-	-	5,271	5,271
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	5,271	5,271
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(25,386)	(2,779)	(14,104)	118,627	(5,204)	71,154
Fund balances beginning of year	33,027	42,634	(3,635)	-	17,771	89,797
Fund balances end of year	\$ 7,641	39,855	(17,739)	118,627	12,567	160,951

See accompanying independent auditor's report.

## Moravia Community School District

Schedule 3

Schedule of Changes  
in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 417	-	34	(383)	-
Vocal Music	547	272	597	-	222
Variety Show	1,200	419	201	-	1,418
Band Trip	7,102	12,815	9,170	-	10,747
Year book	(1,943)	5,968	11,124	-	(7,099)
High School Cheerleaders	1,184	4,347	4,252	(498)	781
Wrestling Cheerleaders	81	-	381	300	-
Drama	372	-	-	-	372
Spanish Club	47	615	640	-	22
FFA	2,517	16,479	15,984	-	3,012
FHA	4,409	1,987	1,836	-	4,560
Acts of Kindness	511	500	789	-	222
Student Council	718	549	1,737	700	230
Academic Dream	(59)	58	-	-	(1)
Student Development	58	381	-	-	439
Elementary	5,608	23,873	28,079	1,267	2,669
Concessions	(490)	16,696	17,821	1,615	-
Class of 2011	837	-	-	-	837
High School Activity	(899)	2,004	767	-	338
NHS	(135)	346	236	100	75
Class of 2010	42	631	203	-	470
Europe	404	1,484	1,009	-	879
Speech	69	-	-	-	69
Class of 2012	32	1,767	1,946	152	5
Class of 2005	5,564	5,746	11,157	(153)	-
Class of 2006	4,807	5,635	3,257	-	7,185
Class of 2007	4,428	2,383	-	(584)	6,227
Class of 2008	1,813	436	175	-	2,074
Class of 2009	752	1,552	563	-	1,741
Activity Passes	304	25,976	24,671	(1,581)	28
Junior High Athletics	(44)	100	65	-	(9)
Boys Basketball	(425)	1,814	846	-	543
High School Football	(64)	3,845	1,505	(2,276)	-
Baseball	(773)	831	3,194	2,416	(720)
Boys Track	485	50	-	(225)	310
Wresting	(235)	200	49	-	(84)
Weight Lifting	2,507	24	-	(500)	2,031
Girls Basketball	252	1,804	2,229	-	(173)
Volleyball	(400)	3,131	3,478	-	(747)
Softball	690	1,324	1,042	-	972
Girls Track	344	216	-	(350)	210
Total	\$ 42,634	146,258	149,037	-	39,855

See accompanying independent auditor's report.

## Moravia Community School District

## Schedule 4

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Three Years

	Modified Accrual		
	Basis		
	2005	2004	2003
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 980,208	914,345	869,461
Tuition	268,743	242,808	298,956
Other	324,919	161,032	254,227
Intermediate sources	61,103	37,477	-
State sources	1,438,737	1,463,061	1,475,475
Federal sources	154,496	203,558	254,823
Total	<u>\$ 3,228,206</u>	<u>3,022,281</u>	<u>3,152,942</u>
<b>Expenditures:</b>			
Instruction:			
Regular instruction	\$ 1,436,641	1,322,066	1,308,063
Special instruction	401,792	299,730	391,663
Other instruction	347,552	430,728	323,152
Support services:			
Student services	80,185	72,891	71,131
Instructional staff services	40,678	44,222	56,295
Administration services	430,681	398,037	380,173
Operation and maintenance of plant services	217,573	221,807	236,992
Transportation services	142,213	164,001	146,263
Non-instructional programs	495	400	265
Other expenditures:			
Facilities acquisition	53,081	3,364	103,912
Long-term debt:			
Principal	79,676	74,883	836,648
Interest and other charges	22,830	34,948	56,251
AEA flowthrough	87,761	89,358	95,056
Total	<u>\$ 3,341,158</u>	<u>3,156,435</u>	<u>4,005,864</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IOWA 50265

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Moravia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moravia Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we ~~considered~~ Moravia Community School District's internal control over financial reporting in order to ~~determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.~~ However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05, I-B-05 and I-C-05 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Moravia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Moravia Community School District and other parties to whom Moravia Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Moravia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP  
Certified Public Accountants

September 16, 2005

Moravia Community School District

Schedule of Findings

Year ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

I-A-05      Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion - Response ~~acknowledged~~.

I-B-05      Receipt Procedures – The District did not bill a neighboring District \$1,162 for open enrollment for fiscal year 2005. The Moravia Education Foundation monthly investment statements indicate a check from the investment company for \$1,295 was issued to the Foundation. However, no evidence could be found that this check was ever received by the Foundation. It does not appear the District has procedures in place to ensure all monies due to them are actually received by the District.

Recommendation – The District and Foundation implement procedures to ensure all monies due to them are actually received.

Response – We will implement this recommendation.

Conclusion – Response accepted.

I-C-05      Bank Reconciliations – The District performs bank reconciliations for all bank accounts. However, we identified transactions recorded by the bank which were not recorded on the general ledger (books). In order to ensure that the general ledger is accurate and accounts for all transactions, the reconciled bank balance should be agreed to the book balance each month.

Recommendation – The District should reconcile, on a monthly basis, the bank balance to the book balance, and any differences should be investigated in a timely manner.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Statutory Reporting:**

II-A-05      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05      Certified Budget – Expenditures for the year ended June 30, 2005, exceeded the amounts budgeted in the other expenditure functional area.

For the fiscal year 2006 budget, the notice of public hearing was published only five days before the actual hearing, even though Chapter 24.9 of the Code of Iowa requires the notice of public hearing to be published between ten and twenty days before the hearing.

The affidavit of publication for the fiscal year 2006 budget certified to the County Auditor was the incorrect affidavit of publication.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. In addition, procedures should be implemented to ensure publications are in compliance with the Code of Iowa. Also, the District should consult the Department of Education on the above issues, and take appropriate action as necessary.

Response – We will amend our budget before expenditures exceed the budget. Also, in regards to the issues associated with the fiscal year 2006 budget, we acknowledge that mistakes were made. However, at this point in time there is nothing additional that we can do. In the future, we will ensure the publications, affidavits and certifications to the County Auditor are in compliance with the Code of Iowa requirements.

Conclusion – Response accepted.

II-C-05      Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05      Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-05      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2005

- II-G-05 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Certain minutes were not timely published, as required by Chapter 279.35 of the Code of Iowa. In one instance, it was noted that the signed copy of the Board minutes was different than what was published, with no explanation in subsequent Board minutes as to why this difference.

Recommendation – Procedures should be implemented to ensure the Board minutes are timely published, as required by the Code of Iowa. In addition, the signed copy of the Board minutes should be the same as the published copy.

Response – This was an oversight on our part, as we did not know about the publication requirements. In regards to the difference between the signed copy and the published copy, this was a mistake on our part.

Conclusion – Response accepted.

- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-I-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-K-05 Payroll Issues – Some I-9's were missing or incomplete, and some W4's were missing.

Teachers are paid based on years of experience and educational hours completed. The District could not consistently provide support for educational hours completed for the teachers. As a result, the District is unable to determine if it was compensating the correct amount to its teachers. Instances were noted where employee contracts could not be located, and other instances were noted where the amount paid to employees was different than the contract amounts.

Some non-exempt employees are not required to keep timesheets, and an instance was noted where the leave hours were not recorded on the computer. In addition, another instance was noted where the timesheet was not approved by the Supervisor, and an individual was underpaid by 8 hours.

Recommendation – The District should ensure the I-9 and W4 forms are correctly completed. In addition, the District should implement procedures to ensure all employees are paid the correct amount based on their experience and educational hours completed. Contracts should be required for all employees, and that the amount paid agrees to the contract. Also, timesheets should be required for all non-exempt employees, and that all leave hours need to be recorded on the computer. The District should ensure that all employee timesheets are approved by a Supervisor before payment, and that all employees are paid the correct amount.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2005

Response – We will implement the above recommendations.

Conclusion – Response accepted.

II-L-05

Disbursements – There was not always documented receipt of merchandise or service prior to the payment of the invoices. Some instances were noted where purchase orders were either not used or were un-signed, or invoices were not obtained prior to payment of the bill. An instance was noted where the District overpaid a vendor by \$599.

Recommendation – The District should implement procedures to ensure receipt of merchandise and services is documented prior to the payment of the invoices. Procedures should also be implemented to ensure purchase orders are used and signed, and invoices are obtained prior to the payment of the bill. Procedures should also be implemented to ensure amounts paid to vendors are accurate, and that \$599 is obtained from the vendor in question.

Response – We will review the above, and take appropriate action as necessary.

Conclusion – Response accepted.

II-M-05

Financial Condition – The Physical Plant and Equipment Levy Fund had an unreserved, undesignated deficit fund balance of \$17,739 at June 30, 2005. In addition, several student activity accounts had deficit balances at June 30, 2005.

Recommendation – The District should continue to ~~monitor~~ the Physical Plant and Equipment Levy Fund and the student activity accounts and investigate alternatives to eliminate these deficits.

Response – We will continue to monitor the Physical Plant and Equipment Levy Fund and the student activity accounts.

Conclusion – Response accepted.

II-N-05

Admission Tickets – Admission tickets were not issued for athletic events.

Recommendation – The District should issue pre-numbered admission tickets for athletic events. The District should then reconcile the dollar value of pre-numbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2005

II-O-05     Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, the fixed asset records were not updated in fiscal year 2005.

Recommendation – Fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, the fixed asset records should be updated to include activity which occurred in fiscal year 2005.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-P-05     Accounting Procedures – Checks are not issued in numerical sequence. Several checks were cashed by the bank with no signature on the checks.

Recommendation – The District should issue checks chronologically, and ensure dual signatures are on the checks prior to distribution of the checks.

Response – We will implement this recommendation.

Conclusion – Response accepted.